Third Quarter Report

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For the nine months
ended September 30, 2007

People and Innovation
. . . powering Saskatchewan
to a bright future

SaskPower

SASKPOWER GENERATION AND HIGH VOLTAGE TRANSMISSION MAP

Generation (net capacity)

Hydroelectric

1. **Athabasca Hydroelectric System** - 23 MW
   - Wellington (5 MW)
   - Waterloo (8 MW)
   - Charlot River (10 MW)
2. **Island Falls Hydroelectric Station** - 102 MW
4. **E. B. Campbell Hydroelectric Station** - 288 MW
5. **Nipawin Hydroelectric Station** - 255 MW
14. **Coteau Creek Hydroelectric Station** - 186 MW

Natural Gas

3. **Meadow Lake Power Station** - 44 MW
7. **Landis Power Station** - 79 MW
8. **Queen Elizabeth Power Station** - 385 MW
11. **Success Power Station** - 30 MW

Wind

12. **Centennial Wind Power Facility** - 150 MW
14. **Cypress Wind Power Facility** - 11 MW

Coal

15. **Poplar River Power Station** - 572 MW
16. **Boundary Dam Power Station** - 813 MW
17. **Shand Power Station** - 276 MW

Independent Power Producer

- **Meridian Cogeneration Station** - 210 MW
- **Cory Cogeneration Station** - 228 MW
13. **SunBridge Wind Power Project** - 11 MW
- **NRGreen Kerrobert Heat Recovery Project** - 5 MW

Transmission

- **230 kV**
- **138 kV**
- **138 kV line operating at 72 kV**
- **Switching Station**
- **Interconnection**

About us: Our company operates three coal-fired power stations, seven hydroelectric stations, four natural gas stations and two wind facilities with an aggregate generating capacity of 3,214 megawatts (MW). SaskPower also has power purchase agreements with the Meridian Cogeneration Station, Cory Cogeneration Station, SunBridge Wind Power Project and NRGreen Kerrobert Heat Recovery Project. Total available capacity is 3,668 MW. SaskPower maintains more than 155,000 kilometres of power lines.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) highlights the primary factors that have an impact on the financial results and operations of Saskatchewan Power Corporation (SaskPower; the Corporation). It should be read in conjunction with the SaskPower unaudited interim consolidated financial statements and supporting notes for the nine months ended September 30, 2007. These interim financial statements have been prepared in accordance with the Canadian Institute of Chartered Accountants (CICA) section 1751, "Interim Financial Statements." The SaskPower Audit and Finance Committee of the Board of Directors has approved the interim financial statements.

The MD&A contains forward-looking statements based on the Corporation's estimates and assumptions concerning future results and events. Due to the risks and uncertainties inherent in any forecasted outlook, the actual results of the Corporation could differ materially from those anticipated.

Profile

SaskPower is the principal supplier of electricity in Saskatchewan. The Corporation's vision is: "People and innovation . . . powering Saskatchewan to a bright future." The Corporation traces its origins to the Saskatchewan Power Commission that was founded in 1929. In 1949, SaskPower was incorporated as a provincial Crown corporation under the authority and mandate of *The Power Corporation Act*. While this act has been modified over the years, SaskPower's mission – to deliver power in a safe, reliable and sustainable manner – has not fundamentally changed.

SaskPower's aggregate generating capacity is 3,668 megawatts (MW). This includes the 3,214 MW capacity of SaskPower's facilities – three coal-fired stations, seven hydro stations, four natural gas stations and two wind facilities – and 454 MW of contracted capacity. SaskPower maintains more than 155,000 kilometres of power lines, 52 high voltage switching stations and 174 distribution substations.

SaskPower serves more than 448,000 customers and manages over $4.4 billion in assets. The Corporation has over 2,400 permanent full-time employees located in 71 communities. SaskPower also operates three wholly-owned subsidiaries – SaskPower International, NorthPoint Energy Solutions and SaskPower Shand Greenhouse. The financial activities of SaskPower's subsidiaries are consolidated within the financial statements of the Corporation in accordance with Canadian generally accepted accounting principles.

FINANCIAL HIGHLIGHTS AND OPERATING STATISTICS

Financial Highlights

	Three months ended September 30			Nine months ended September 30		
(in millions)	**2007**	2006	Change	**2007**	2006	Change
Revenue	**$ 385**	$ 336	$ 49	**$ 1,101**	$ 993	$ 108
Net income	**58**	18	40	**97**	100	(3)
Dividends	**27**	11	16	**66**	51	15
Capital expenditures	**85**	55	30	**192**	189	3
Long-term debt	**2,226**	2,450	(224)	**2,226**	2,450	(224)

Operating Statistics

	Three months ended September 30			Nine months ended September 30		
	2007	2006	Change	**2007**	2006	Change
Saskatchewan sales (GWh)	**4,454**	4,339	115	**13,389**	12,814	575
Exports (GWh)	**259**	109	150	**750**	418	332
Electricity trading (GWh)	**401**	379	22	**1,472**	1,196	276
Total electric sales (GWh)	**5,114**	4,827	287	**15,611**	14,428	1,183
Generating capacity (net MW)	**3,668**	3,663	5	**3,668**	3,663	5
Peak load (net MW)	**2,879**	2,701	178	**2,969**	2,838	131
Customers	**448,908**	443,157	5,751	**448,908**	443,157	5,751

Financial Results

	Three months ended September 30			Nine months ended September 30		
(in millions)	**2007**	2006	Change	**2007**	2006	Change
Revenue	**$ 385**	$ 336	$ 49	**$ 1,101**	$ 993	$ 108
Expense	**327**	318	9	**1,004**	893	111
Net income	**$ 58**	$ 18	$ 40	**$ 97**	$ 100	$ (3)

Highlights

Third Quarter

The Corporation recorded a net income of $58 million in the third quarter of 2007. This net income was an increase of $40 million from the third quarter of 2006. The quarter-over-quarter increase in net income was the result of a $49-million improvement in revenue and a $9-million increase in expense.

The $49-million improvement in revenue was largely attributable to a $28-million increase in Saskatchewan sales, due to higher electric sales volumes and the impact of the 4.3% system-wide average rate increase implemented on February 1, 2007. There was also a $15 million improvement in exports and a $4 million increase in net sales from electricity trading largely due to favourable market conditions in Alberta.

Total expenses for the third quarter of 2007 increased $9 million compared to the same period in 2006. This was due in part to a $4-million increase in operating, maintenance and administration expenses (OM&A) as a result of additional pension expense and higher maintenance costs. Fuel and purchased power costs increased $3 million due to $12-million in non-cash market value losses on the Corporation's natural gas hedges partially offset by an improvement in the fuel mix. There was also a $3-million increase in depreciation expense as a result of a higher asset base and changes in depreciation rates.

Year-to-Date

Net income for the nine months ended September 30, 2007, was $97 million, a $3-million decrease from the first nine months of 2006. The year-to-date decrease in net income was the result of a $111-million increase in expense offset by a $108-million improvement in revenue.

Total expenses increased $111 million due to a $55-million increase in OM&A expenses as a result of rising costs for salaries and benefits; additional pension expense; higher maintenance costs, including work on Boundary Dam Power Station Unit #3; and costs related to the clean coal feasibility study. Fuel and purchased power costs increased $28 million primarily due to $17 million in non-cash market value losses on natural gas hedges. Depreciation expense increased $15 million due to a higher asset base and changes in depreciation rates. Finance charges increased $12 million due to $5-million in non-cash market value losses on debt retirement funds and lower interest capitalized.

The $108-million improvement in revenue was largely attributable to a $75-million increase in Saskatchewan sales due to higher electric sales volumes and the impact of the 4.3% system-wide average rate increase implemented on February 1, 2007. There was also a $25 million improvement in exports due to increased opportunities in the Alberta and Midwest Independent Transmission System Operator (MISO) markets.

Revenue

Saskatchewan sales

	Three months ended September 30			Nine months ended September 30		
(in millions)	2007	2006	Change	2007	2006	Change
Saskatchewan sales	$ 340	$ 312	$ 28	$ 1,012	$ 937	$ 75

Revenue from Saskatchewan electric sales was $340 million in the third quarter of 2007, up $28 million from the same period in 2006. Saskatchewan sales for the nine months ending September 30, 2007, were $1,012 million, up $75 million from the first nine months of 2006. The year-to-date rise in Saskatchewan sales revenue was due in part to the increase in electric sales volumes, which are driven by general economic conditions, number of customers and weather. In the first nine months of 2007, electric sales volumes to Saskatchewan customers were 13,389 gigawatt hours (GWh), up 575 GWh from the first nine months of 2006.

Also contributing to the improvement in revenue was the 4.3% system-wide average rate increase that came into effect February 1, 2007. The rate increase provided approximately $36 million in incremental revenue. Electricity pricing in Saskatchewan is subject to review by the Saskatchewan Rate Review Panel with final approval by Cabinet.

Export sales

	Three months ended September 30			Nine months ended September 30		
(in millions)	2007	2006	Change	2007	2006	Change
Export sales	$ 24	$ 9	$ 15	$ 50	$ 25	$ 25

Export sales include the sale of SaskPower's surplus generation to other regions in Canada and the United States. Export pricing is not subject to the rate review process and is priced by the external market. Export sales volumes are dependent on surplus SaskPower generation, market conditions in other jurisdictions and transmission availability.

Export sales increased from $9 million in the third quarter of 2006 to $24 million in the third quarter of 2007. Year-to-date export sales were $50 million in 2007, compared to $25 million the previous year. This increase is primarily due to higher sales volumes to the Midwest Independent Transmission System Operator (MISO) and Alberta. Export sales volumes increased 332 GWh during the first nine months of 2007 compared to the first nine months of 2006. There was also an increase in the average export sales price which was approximately $67 per megawatt hour (MWh) in the first nine months of 2007 compared to approximately $60/MWh in the first nine months of 2006.

Electricity trading

	Three months ended September 30			Nine months ended September 30		
(in millions)	**2007**	2006	Change	**2007**	2006	Change
Electricity trading revenue	**$ 33**	$ 31	$ 2	**$ 98**	$ 83	$ 15
Electricity trading costs	**(24)**	(26)	2	**(88)**	(74)	(14)
Electricity trading market value losses	**-**	-	-	**(1)**	-	(1)
Net sales from electricity trading	**$ 9**	$ 5	$ 4	**$ 9**	$ 9	$ -

Electricity trading activities, performed by SaskPower's subsidiary NorthPoint, include the purchase and resale of electricity and other electricity-related commodities and derivatives from regions outside of Saskatchewan.

Electricity trading revenues were $33 million in the third quarter of 2007 compared to $31 million in the third quarter of 2006, and $98 million in the first nine months of 2007 compared to $83 million in the first nine months of 2006. The year-to-date increase was due to a 276 GWh rise in trading volumes largely as a result of NorthPoint diversifying into other markets, including the Pennsylvania, New Jersey & Maryland (PJM) interconnection market and the New York Independent System Operator (NYISO) market. The rise in sales volumes was partially offset by a decrease in the average sales price. The average sales price declined from $68/MWh in the first nine months of 2006 to $64/MWh in the first nine months of 2007.

While electricity trading revenues were up $15 million, the gross margin, or net sales after deducting related fuel and purchased power costs, was $9 million in the first nine months of 2007 – unchanged from $9 million in the first nine months of 2006. The relative decline in the gross margin percentage was largely due to the higher cost of ancillary services associated with the purchase of electricity from the Midwest Independent Transmission System Operator (MISO).

Other revenue

	Three months ended September 30			Nine months ended September 30		
(in millions)	**2007**	2006	Change	**2007**	2006	Change
Other revenue	**$ 12**	$ 10	$ 2	**$ 30**	$ 22	$ 8

Other revenue was $12 million in the third quarter of 2007 compared to $10 million during the same period in 2006, and rose from $22 million in the first nine months of 2006 to $30 million in the first nine months of 2007. This increase was primarily due to improved equity investment income from the MRM Cogeneration Station; additional revenues received from the Government of Canada as part of the wind power production incentive program relating to the Centennial Wind Power Facility; and higher gas and electrical inspection revenue.

Expense

Fuel and purchased power

(in millions)	Three months ended September 30 2007	2006	Change	Nine months ended September 30 2007	2006	Change
Fuel and purchased power	**$ 129**	$ 126	$ 3	**$ 374**	$ 346	$ 28

SaskPower's fuel and purchased power costs include the fuel charges associated with the electricity generated from SaskPower-owned facilities, electricity purchased through power purchase agreements, as well as electricity imported from markets outside Saskatchewan. This electricity is used to serve the Corporation's Saskatchewan customers, with surplus electricity being sold to markets outside the province when favourable conditions exist.

SaskPower's fuel cost management strategy focuses on the economic dispatch of the generating units that bring the lowest incremental cost units on stream first. In general, this means maximizing hydro and coal generation, which have the lowest incremental cost per unit of generation. Hydro generation is dependent upon water levels at the Corporation's hydro facilities and coal generation is a product of the availability of the Corporation's coal plants. Wind generation, the lowest incremental cost source of electricity, cannot be dispatched on a planned basis as it is dependent upon wind conditions.

Total fuel and purchased power costs of $129 million in the third quarter, and $374 million in the nine months of 2007, were up $3 million and $28 million respectively from the same periods in 2006. The year-to-date increase is due to an increase in generation volumes and a change in the fuel mix partially offset by a decrease in the average price of natural gas. The Corporation also experienced unrealized market value losses of $17 million on its natural gas hedges.

There was an increase in the total generation and purchased power volumes to source additional exports and sales to Saskatchewan customers. Total generation and purchased power in the first nine months of 2007 was 15,455 GWh, an increase of 882 GWh compared to the same period in 2006.

There was also an unfavourable change in the fuel and purchased mix in the first nine months of 2007. The fuel and purchased power mix is the relative proportion that each fuel source contributes to SaskPower's total fuel supply. The more energy that is generated from lower incremental cost units such as hydro, coal, and wind, the more favourable the impact on fuel and purchased power costs. In the first nine months of 2007, the Corporation used comparatively more natural gas sourced generation which is a relatively expensive source of generation. This change in the fuel and purchased power mix caused total costs to increase.

These unfavourable variances were partially offset by a decrease in the average cost of natural gas issued from SaskPower's inventory in the first nine months of 2007 compared to the same period in 2006. Natural gas is used to supply the Corporation's gas-fired plants and the Cory and Meridian Cogeneration facilities.

Operating, maintenance and administration (OM&A)

	Three months ended September 30			Nine months ended September 30		
(in millions)	**2007**	2006	Change	**2007**	2006	Change
OM&A	**$ 94**	$ 90	$ 4	**$ 307**	$ 252	$ 55

OM&A expense was up $4 million in the third quarter of 2007 compared to the third quarter of 2006, and $55 million higher in the first nine months of 2007 over the same period in 2006. The year-to-date increase was due to a $19-million increase in salaries and benefits as a result of general economic increases, collective bargaining settlements and additional staff. The Corporation also incurred a $21-million increase in contractor and material expenses largely as a result of maintenance work required at the Boundary Dam Power Station Unit #3 and costs related to the clean coal feasibility study. The pension expense related to the Corporation's defined benefit plan also increased $12 million largely due to $6 million of additional costs resulting from a plan amendment that provides regular benefit increases equal to 70% of the increase in the Saskatchewan consumer price index.

Depreciation

	Three months ended September 30			Nine months ended September 30		
(in millions)	**2007**	2006	Change	**2007**	2006	Change
Depreciation	**$ 55**	$ 52	$ 3	**$ 164**	$ 149	$ 15

Depreciation expense was $55 million in the third quarter of 2007, compared to $52 million in the third quarter of 2006, and $164 million in the first nine months of 2007 compared to $149 million in the first nine months of 2006. The rise in depreciation expense is partly attributable to an increase in depreciation rates on the Corporation's generation assets based on the results of a study performed in 2006. The results of the depreciation study have been applied prospectively beginning January 1, 2007. There has also been an increase in the asset base as a result of ongoing capital expenditures and the commissioning of the Centennial Wind Power Facility in March 2006.

Finance charges

	Three months ended September 30			Nine months ended September 30		
(in millions)	**2007**	2006	Change	**2007**	2006	Change
Finance charges	**$ 40**	$ 41	$ (1)	**$ 133**	$ 121	$ 12

In the third quarter of 2007 finance charges were $40 million, a decrease of $1 million compared to the third quarter of 2006. In the first nine months of 2007 finance charges were $133 million, an increase of $12 million over the first nine months of 2006. The year-to-date increase in finance charges was primarily due to $5 million in non-cash market value losses recorded on debt retirement funds. In addition, the amount of interest capitalized in the first nine months of 2007 decreased by $5 million compared to the first nine months of 2006 as a result of lower capital spending and the commissioning of the Centennial Wind Power Facility in March 2006.

Taxes

	Three months ended September 30			Nine months ended September 30		
(in millions)	**2007**	2006	Change	**2007**	2006	Change
Taxes	**$ 9**	$ 9	$ -	**$ 26**	$ 25	$ 1

Capital tax, grants-in-lieu of taxes and other taxes were up $1 million in the first nine months of 2007 compared to the same period in 2006, due to an increase in Saskatchewan sales revenue and an increase in the capital tax base.

Financial Instrument Standards

Effective January 1, 2007, SaskPower adopted the new CICA Section 1530, "Comprehensive Income;" Section 3251, "Equity;" Section 3855, "Financial Instruments – Recognition and Measurement;" Section 3861, "Financial Instruments – Presentation and Disclosure;" and Section 3865, "Hedges." These sections are collectively referred to as the financial instrument standards.

Other comprehensive income

The statement of comprehensive income and the statement of accumulated other comprehensive income are new financial statements resulting from the adoption of the above financial instrument standards. Other comprehensive income is a temporary location for certain unrealized gains and losses that have been recorded on the balance sheet, but are not required to be reported in the income statement. All amounts reported in other comprehensive income will eventually be reclassified to net income.

SaskPower's accumulated other comprehensive income balance represents a transitional unrealized market loss on the Corporation's natural gas hedges effective December 30, 2006. The transitional loss is the result of the Corporation's decision to discontinue hedge accounting effective December 30, 2006, and from the adoption of the financial instrument standards.

In accordance with the new financial instrument standards, this transitional market loss is being reclassified from other comprehensive income to net income (fuel and purchased power) as the contracts mature. The reclassification is based on the December 30, 2006, market value and the settlement date of each natural gas hedge.

Income statement impact

The new financial instrument standards require the Corporation to measure certain financial instruments at fair value and record this amount on the Corporation's balance sheet. These financial instruments include the Corporation's natural gas hedges, electricity trading derivatives and debt retirement funds. The change in the market value (gain or loss) of these financial instruments are charged to the revenue/expense category to which they relate.

The year-to-date net impact to the income statement from recording the changes in the market value of the natural gas hedges, electricity derivatives and debt retirement funds as well as the reclassification of the transitional amount from the discontinuation of hedge accounting is the following (in millions):

For the nine months ended September 30, 2007

	Market value gain / (loss)			
Financial instrument	**Q1**	**Q2**	**Q3**	**Total**
Natural gas hedges	$ 16	$ (13)	$ (8)	$ (5)
Natural gas hedges transitional market value losses reclassified to net income	(4)	(4)	(4)	(12)
Net market value adjustment related to natural gas hedges	$ 12	$ (17)	$ (12)	$ (17)
Electricity trading derivatives	-	(1)	-	(1)
Debt retirement funds	(1)	(7)	3	(5)
Total impact to net income	$ 11	$ (25)	$ (9)	$ (23)

The above are non-cash gains (losses) on changes in the market value of the underlying assets – natural gas hedges, electricity trading derivatives and debt retirement funds. These gains (losses) have not been realized and are subject to change based on fluctuations in the market value of the underlying assets.

Liquidity and Capital Resources

The Corporation's cash position was $51 million as at September 30, 2007, up $31 million from December 31, 2006. The $31 million increase was the result of $239 million provided by operating activities offset by $176 million used in investing activities and $32 million used in financing activities.

a) Operating activities

	Three months ended September 30			Nine months ended September 30		
(in millions)	**2007**	2006	Change	**2007**	2006	Change
Operating cash flow	**$ 121**	$ 64	$ 57	**$ 281**	$ 235	$ 46
Net change in non-cash working capital	**(46)**	(27)	(19)	**(42)**	(45)	3
Cash provided by operating activities	**$ 75**	$ 37	$ 38	**$ 239**	$ 190	$ 49

Despite a $3-million decline in net income, operating cash flow was up $46 million in the first nine months of 2007 compared to the same period in 2006, as increases in non-cash items had a significant impact on the 2007 results. This included a $15-million increase in depreciation expense, a $12-million increase in pension expense and $23 million in market value losses on financial instruments.

b) Investing activities

	Three months ended September 30			Nine months ended September 30		
(in millions)	**2007**	2006	Change	**2007**	2006	Change
Generation	**$ 28**	$ 8	$ 20	**$ 70**	$ 76	$ (6)
Transmission & Distribution	**45**	39	6	**99**	98	1
Other	**12**	8	4	**23**	15	8
Total capital expenditures	**$ 85**	$ 55	$ 30	**$ 192**	$ 189	$ 3
Customer contributions and net cost of removals	**(5)**	(4)	(1)	**(10)**	(14)	4
Equity investment distribution	**(2)**	(1)	(1)	**(8)**	(1)	(7)
Purchase of investments	**2**	-	2	**2**	-	2
Cash used in investing activities	**$ 80**	$ 50	$ 30	**$ 176**	$ 174	$ 2

SaskPower invested $192 million in the first nine months of 2007 on various capital projects. This includes $59 million to connect customers to the SaskPower electric system; $25 million to extend the life of Unit #1 at the Poplar River Power Station; and $7 million spent on Unit #3 turbine generator refurbishment at the Boundary Dam Power Station. Overall, capital spending is up marginally from the same period in 2006.

In the first nine months of 2007, $8-million in equity distributions have been received from the MRM Cogeneration Station.

c) **Financing activities**

(in millions)	Three months ended September 30 2007	2006	Change	Nine months ended September 30 2007	2006	Change
Cash used in financing activities	**$ (35)**	$ (45)	$ 10	**$ (32)**	$ (21)	$ (11)

In the first nine months of 2007, $32 million of cash was used in financing activities compared to $21 million in the first nine months of 2006. The change is largely due to higher debt repayments offset by lower dividends paid to CIC in 2007.

In the first nine months of 2007, SaskPower has declared $66 million in dividends payable to the Crown Investments Corporation of Saskatchewan (CIC) based on CIC's dividend policy. The policy, which was revised in 2007, calls for SaskPower's annual dividends to be calculated at a rate of 65% of forecasted net income, excluding unrealized gains and losses on held-for-trading financial instruments. Quarterly dividends are declared based on one-fourth of the annual amount and are paid in the following quarter.

Long-term debt

The following table illustrates the total change in the Corporation's long-term debt since December 31, 2006:
(in millions)

As at	September 30 2007	December 31 2006	Change
Gross long-term debt	**$ 2,550**	$ 2,515	$ 35
Unamortized debt premiums net of issue costs	**16**	-	16
Less: current portion of long-term debt	**(340)**	(66)	(274)
Total long-term debt	**2,226**	2,449	(223)
Less: debt retirement funds	**(228)**	(201)	(27)
Long-term debt, net of debt retirement funds	**$ 1,998**	$ 2,248	$ (250)
Per cent debt ratio[1]	**60.4%**	61.0%	(0.6%)

[1] Per cent debt ratio = (debt) / (debt + equity), where debt = (long-term + current portion of long-term debt – cash and cash equivalents – debt retirement funds) and where equity = (equity advances + retained earnings)

SaskPower's gross long-term debt position was $2,550 million at September 30, 2007, up $35 million from December 31, 2006. The increase in gross debt was the result of the following:

- The Corporation, through the Saskatchewan Department of Finance (General Revenue Fund), borrowed an additional $100 million of long-term debt at an interest rate of 4.75% and a maturity date of June 1, 2040.
- The Corporation repaid $63 million of long-term debt with interest rates ranging from 9.12% to 9.88%.
- Through its subsidiary, SaskPower International, the Corporation repaid $2 million of non-recourse debt.

The carrying amount of the long-term debt on the balance sheet has been reclassified to include $16 million of unamortized debt premiums net of issue costs, which were previously recorded as other liabilities and other assets respectively on the balance sheet. The reclassification was made upon the adoption of the new CICA financial instrument standards on January 1, 2007. The current portion of long-term debt of $340 million at September 30, 2007, includes $339 million of debt which is due in the first nine months of 2008.

In addition, the debt retirement funds have increased $27 million to $228 million at September 30, 2007, as the result of installments and earnings offset by changes in the market value.

The Corporation's per cent debt ratio has decreased slightly from 61.0% at the end of 2006 to 60.4% as at September 30, 2007. Despite the additional borrowings in the first nine of 2007, the per cent debt ratio declined due to an increase in cash and cash equivalents.

Outlook

Forecasted earnings for 2007 are expected to be $116 million, a $23-million increase in net income from 2006. The projected improvement in earnings is due to an expected increase in revenue, offset by an increase in all cost categories.

Saskatchewan sales revenue is expected to increase due to the effect of the 4.3% system-wide average rate increase implemented on February 1, 2007. The rate increase is expected to provide SaskPower with approximately $50 million of additional revenue in 2007. Exports are also expected to increase as a result of improved market opportunities.

Operating, maintenance and administration expense is expected to be higher due largely to salary and benefit increases as a result of general economic increases and collective bargaining settlements. Fuel and purchased power costs are also expected to be up in 2007 compared to 2006 due to an increase in the total generation volumes to source additional sales to Saskatchewan customers and exports. Depreciation and finance charges are also expected to climb as the result of the growing asset base and new borrowings respectively.

These earnings expectations are subject to a number of variables including: natural gas prices; coal and hydro generation availability; weather; economic conditions; number of customers; and market conditions in other jurisdictions.

Total capital expenditures for 2007 are expected to be $309 million, up $24 million from the $285 million spent in 2006. This includes costs to refurbish Poplar River Power Station Unit #1, upgrade various transformers and transmission lines, and connect new customers to SaskPower's grid.

Consolidated Statement of Income and Retained Earnings

(in millions)	(Unaudited) Three months ended September 30 2007	2006	(Unaudited) Nine months ended September 30 2007	2006
Revenue				
Electric sales				
Saskatchewan	$ 340	$ 312	$ 1,012	$ 937
Export	24	9	50	25
Net sales from electricity trading (Note 5)	9	5	9	9
Other	12	10	30	22
Total revenue	385	336	1,101	993
Expense				
Fuel and purchased power (Note 6)	129	126	374	346
Operating, maintenance and administration	94	90	307	252
Depreciation	55	52	164	149
Finance charges (Note 7)	40	41	133	121
Taxes	9	9	26	25
Total expense	327	318	1,004	893
Net income	58	18	97	100
Retained earnings, beginning of period	810	818	808	776
Change in accounting policy (Note 3)	–	-	2	-
Dividends	(27)	(11)	(66)	(51)
Retained earnings, end of period	$ 841	$ 825	$ 841	$ 825

Consolidated Statement of Financial Position

(in millions)

As at	(Unaudited) September 30 2007	(Audited *) December 31 2006
Assets		
Current assets		
Cash and cash equivalents	$ 51	$ 20
Accounts receivable and unbilled revenue	189	186
Inventory	157	139
Derivative financial instruments asset	4	9
	401	354
Property, plant and equipment		
Property, plant and equipment	6,645	6,487
Less: accumulated depreciation	3,038	2,887
	3,607	3,600
Construction in progress	106	95
	3,713	3,695
Debt retirement funds	228	201
Other assets (Note 8)	91	114
Total assets	$ 4,433	$ 4,364
Liabilities and equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 163	$ 160
Accrued interest	26	55
Derivative financial instruments liability	23	21
Current portion of long-term debt	340	66
Dividends payable	27	10
	579	312
Long-term debt (Note 9)	2,226	2,449
Other liabilities	127	135
Total liabilities	2,932	2,896
Equity		
Equity advances	660	660
Retained earnings	841	808
Accumulated other comprehensive income (loss)	-	-
Total equity	1,501	1,468
Total liabilities and equity	$ 4,433	$ 4,364

Commitments and contingencies (Note 10)

See accompanying notes

** As presented in the audited December 31, 2006, consolidated statement of financial position – refer to change in accounting policy note 3*

Consolidated Statement of Comprehensive Income

(in millions)	(Unaudited) Three months ended September 30 2007	2006	(Unaudited) Nine months ended September 30 2007	2006
Net income	$ 58	$ 18	$ 97	$ 100
Other comprehensive income:				
Net losses on natural gas hedges in prior periods reclassified to net income in the current period	5		12	
Other comprehensive income	5		12	
Total comprehensive income	$ 63		$ 109	

Consolidated Statement of Accumulated Other Comprehensive Income (Loss)

(in millions)	(Unaudited) Three months ended September 30 2007	2006	(Unaudited) Nine months ended September 30 2007	2006
Accumulated other comprehensive income (loss), beginning of period (Note 3)	$ (5)	$ -	$ (12)	$ -
Other comprehensive income	5	-	12	-
Accumulated other comprehensive income (loss), end of period	$ -	$ -	$ -	$ -

Consolidated Statement of Cash Flows

(in millions)	(Unaudited) Three months ended September 30 2007	2006	(Unaudited) Nine months ended September 30 2007	2006
Operating activities				
Net income	**$ 58**	$ 18	**$ 97**	$ 100
Add (deduct) items not involving cash:				
Depreciation	**55**	52	**164**	149
Natural gas hedges market value losses	**8**	-	**5**	-
Natural gas hedges transitional market value losses reclassified to net income	**4**	-	**12**	-
Electricity trading market value losses	**-**	-	**1**	-
Debt retirement fund earnings	**(1)**	(3)	**(5)**	(6)
Debt retirement fund market value (gains) losses	**(3)**	-	**5**	-
Defined benefit pension plan expense (credit)	**2**	(2)	**6**	(6)
Equity investment income	**(3)**	(2)	**(6)**	(4)
Other	**1**	1	**2**	2
Operating cash flow	**121**	64	**281**	235
Net change in non-cash working capital	**(46)**	(27)	**(42)**	(45)
Cash provided by operating activities	**75**	37	**239**	190
Investing activities				
Property, plant and equipment	**(79)**	(50)	**(179)**	(167)
Interest capitalized	**(1)**	(1)	**(3)**	(8)
Equity investment distribution	**2**	1	**8**	1
Purchase of investments (Note 8)	**(2)**	-	**(2)**	-
Cash used in investing activities	**(80)**	(50)	**(176)**	(174)
(Decrease) increase in cash before financing activities	**(5)**	(13)	**63**	16
Financing activities				
Proceeds from long-term debt	**-**	-	**104**	105
Repayment of long-term debt	**(6)**	(10)	**(63)**	(42)
Repayment of non-recourse debt	**-**	(1)	**(2)**	(2)
Debt retirement fund installments	**(12)**	(11)	**(22)**	(20)
Dividends paid	**(17)**	(23)	**(49)**	(62)
Cash used in financing activities	**(35)**	(45)	**(32)**	(21)
(Decrease) increase in cash	**(40)**	(58)	**31**	(5)
Cash and cash equivalents, beginning of period	**91**	118	**20**	65
Cash and cash equivalents, end of period	**$ 51**	$ 60	**$ 51**	$ 60

Notes to the Consolidated Financial Statements (Unaudited)

As at September 30, 2007

1. Status of the Corporation

Saskatchewan Power Corporation (SaskPower; the Corporation), a provincially-owned Crown corporation, generates, purchases, transmits, distributes and sells electricity and related products and services. Founded as the Saskatchewan Power Commission in 1929, SaskPower was set up in 1949 and operates primarily under the mandate and authority of *The Power Corporation Act*.

These consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, NorthPoint Energy Solutions Inc. (NorthPoint), Power Greenhouses Inc. (Shand Greenhouse), and SaskPower International Inc. (SaskPower International). All inter-company transactions have been eliminated on consolidation.

2. Summary of Significant Accounting Policies

These unaudited interim consolidated financial statements (interim financial statements) do not include all of the disclosures included in the Corporation's annual consolidated financial statements. Accordingly, these interim financial statements should be read in conjunction with the Corporation's most recent annual consolidated financial statements.

SaskPower's Saskatchewan electric sales to residential and commercial customers are seasonal with the first and fourth quarters being the strongest periods, reflecting colder weather and fewer daylight hours.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The timely preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Significant areas requiring the use of management estimates include electricity sales not yet billed; carrying amounts of property, plant and equipment, underlying estimates of useful lives and related depreciation; carrying amounts of asset retirement obligations and underlying estimates of future cash flows; and carrying amounts of deferred pension costs and underlying actuarial assumptions. Actual results could differ from those estimates, which may impact the actual transactions and events reported in future periods.

The accounting policies used in the preparation of these interim financial statements conform with those used in the Corporation's most recent annual consolidated financial statements except for that noted in the Change in Accounting Policy Note 3.

Notes to the Consolidated Financial Statements (Unaudited)

As at September 30, 2007

3. Change in Accounting Policy (in millions)

Effective January 1, 2007, SaskPower adopted the new Canadian Institute of Chartered Accountants ("CICA") Section 1530, "Comprehensive Income;" Section 3251, "Equity;" Section 3855, "Financial Instruments – Recognition and Measurement;" Section 3861, "Financial Instruments – Presentation and Disclosure;" and Section 3865, "Hedges." The following are the impacts of implementing these new standards prospectively in 2007.

SaskPower has classified all financial instruments into one of the following categories: 1) *held-for-trading*; 2) *held-to-maturity*; 3) *loans and receivables*; 4) *available-for-sale*; and 5) *other liabilities*.

Derivative financial assets and liabilities are classified as *held-for-trading* and recorded at fair value on the statement of financial position. The change in the market value (gain or loss) of the derivatives is recorded in net income and classified with the revenue/expense category to which they relate unless the derivative is designated as a hedge for accounting purposes. If the derivative is designated as a hedge for accounting purposes, the gain or loss is temporarily recorded as other comprehensive income. The gain or loss will be reclassified into net income in the period that the derivative instrument is settled.

The Corporation discontinued its use of hedge accounting on its natural gas derivatives on December 30, 2006. In accordance with the transitional rules upon the adoption of the new standards, $12 of unrealized losses on the previously designated natural gas hedges at December 30, 2006, have been recorded in accumulated other comprehensive income (loss) and will subsequently be reclassified to net income as the contracts mature. These natural gas contracts will all mature by December 31, 2009. Changes in the market value of these natural gas derivatives since December 30, 2006, have been recognized directly in net income and included with fuel and purchased power costs as gains or losses.

Debt retirement funds (sinking funds) have been classified as *held-for-trading* asset and are recorded at fair value on the statement of financial position. The change in the market value has been recorded in finance charges. The debt retirement funds which were previously presented as a reduction of long-term debt have now been presented on a gross basis and are reported separately on the statement of financial position. The prior year comparative figures have been restated to conform with current year presentation.

Long-term debt has been classified as *other liabilities* and recorded at amortized cost. As such, the related debt premium and issue costs have been reclassified as part of the carrying value of the long-term debt and are being amortized using the effective interest rate method.

Upon the adoption of the new standards, the impact of applying this change in accounting policy prospectively effective January 1, 2007 was as follows:

Adjustment to opening retained earnings

As at January 1, 2007	Description	Increase / (Decrease)
Debt retirement funds	- market value adjustment	$ 4
Total assets		$ 4
Long-term debt	- effective interest rate method adjustment	$ 2
Retained earnings, beginning of year	- net adjustment	2
Total liabilities and equity		$ 4

Notes to the Consolidated Financial Statements (Unaudited)
As at September 30, 2007

3. Change in Accounting Policy cont'd (in millions)

Impact of reclassifications

As at January 1, 2007	Increase / (Decrease)
Other assets - net deferred natural gas hedging loss	$ (12)
Other assets - debt issue costs	(2)
Total assets	$ (14)
Other liabilities - debt premium	$ (11)
Long-term debt	9
Accumulated other comprehensive income (loss), beginning of year	(12)
Total liabilities and equity	$ (14)

In addition, this change in accounting policy has decreased net income in the first nine months of 2007 by $23 as a result of a $17 increase in fuel and purchased power costs, a $1 decrease in net sales from electricity trading and a $5 increase in finance charges.

SaskPower selected January 1, 2003, as the transition date for embedded derivatives. As such, only contracts or financial instruments entered into or modified after the transition date were examined for embedded derivatives. As at September 30, 2007, and December 31, 2006, the Corporation does not have any outstanding contracts or financial instruments with embedded derivatives.

4. Dividend Policy

SaskPower pays dividends to Crown Investments Corporation of Saskatchewan (CIC) based on the CIC dividend policy. For the nine months ended September 30, 2007, dividends were calculated based on 65% of forecasted net income for the year excluding unrealized gains and losses on held-for-trading financial instruments.

5. Net Sales from Electricity Trading (in millions)

	Three months ended September 30		Nine months ended September 30	
	2007	2006	2007	2006
Electricity trading revenue	$ 33	$ 31	$ 98	$ 83
Electricity trading costs	(24)	(26)	(88)	(74)
Electricity trading market value losses	-	-	(1)	-
	$ 9	$ 5	$ 9	$ 9

Notes to the Consolidated Financial Statements (Unaudited)

As at September 30, 2007

6. Fuel and Purchased Power (in millions)

	Three months ended September 30		Nine months ended September 30	
	2007	2006	**2007**	2006
Coal-fired generation	**$ 43**	$ 43	**$ 124**	$ 123
Natural gas generation	**24**	24	**72**	50
Hydro generation	**3**	3	**12**	11
Purchased power	**40**	48	**135**	147
Imports	**7**	8	**14**	15
Natural gas hedges market value losses	**8**	-	**5**	-
Natural gas hedges transitional market value losses reclassified to net income	**4**	-	**12**	-
	$ 129	$ 126	**$ 374**	$ 346

7. Finance Charges (in millions)

	Three months ended September 30		Nine months ended September 30	
	2007	2006	**2007**	2006
Interest on long-term debt	**$ 46**	$ 46	**$ 139**	$ 139
Interest capitalized	**(1)**	(1)	**(3)**	(8)
Debt retirement fund earnings	**(1)**	(3)	**(5)**	(6)
Debt retirement fund market value (gains) losses	**(3)**	-	**5**	-
Interest income	**(1)**	(1)	**(3)**	(4)
	$ 40	$ 41	**$ 133**	$ 121

8. Other Assets (in millions)

Included in other assets is a $2 investment in Aurora Trust Series A Asset-Backed Commercial Paper (Aurora). The Aurora investment was purchased on May 31, 2007 with a maturity date of August 31, 2007. As a result of market concerns about asset-backed commercial paper in Canada and the United States and a corresponding inability of the trust administrators to refinance maturing borrowings, SaskPower did not receive the principal it had invested in Aurora at maturity. A consortium of financial institutions in Canada is currently working on a plan intended to help establish normal operations in the Canadian asset-backed commercial paper market. The current expectation is that the Aurora investment will be converted to a longer-term interest paying note which would be paid off as the underlying assets mature.

The Aurora investment, which was previously classified as cash and cash equivalents, has been reclassified to other assets. The investment is recorded at its estimated fair value which approximates face value.

Notes to the Consolidated Financial Statements (Unaudited)

As at September 30, 2007

9. Long-term Debt (in millions)

On March 6, 2007, the Corporation, through the Saskatchewan Department of Finance (General Revenue Fund), borrowed $100 of long-term debt at a premium of $4. The debt issue has a coupon rate of 4.75%, an effective interest rate of 4.494% and matures on June 1, 2040.

In the first nine months of 2007, the Corporation repaid $63 of long-term debt with interest rates ranging from 9.12% to 9.88% and $2 of non-recourse debt.

10. Commitments and Contingencies (in millions)

SaskPower has various legal matters pending which, in the opinion of management, will not have a material effect on SaskPower's consolidated financial position or results of operations.

The Corporation has issued a $5 promissory note provided as acceptable credit support for project lenders in respect of the debt coverage service ratio requirements for the Cory Cogeneration Station.

11. Comparative Figures

Certain amounts for the prior year have been reclassified to conform with current year financial statement presentation.

GLOSSARY OF TERMS

AECO C
A major Canadian pricing point for natural gas purchases.

Capacity
The greatest load that can be supplied by a generating unit, power station or an entire provincial grid system.

Cogeneration
The simultaneous generation of electricity and useful heat or steam. The heat could be put to use in an industrial process or to heat a facility or community. The electricity could be used by the owner or sold to SaskPower.

Gigawatt (GW)
A unit of bulk power; one billion watts or one million kilowatts.

Gigawatt Hour (GWh)
A unit of bulk energy; 1,000,000 kilowatt hours. One GWh is equivalent to the energy consumed by 125 typical houses in one year.

Kilowatt (KW)
A unit of bulk power; one thousand watts.

Kilowatt Hour (kWh)
A unit of bulk energy; 1,000 watt hours. The measurement is generally used for billing residential customers.

Load
The amount of electric power or energy consumed by a particular customer or group of customers.

Megawatt (MW)
A unit of bulk power; 1,000 kilowatts. The unit generally used to describe the output of a commercial generator.

Megawatt Hour (MWh)
A unit of bulk energy; 1,000 kilowatt hours. The unit generally used to describe the output of a commercial generator.

Midwest Independent Transmission System Operator (MISO)
The Midwest Independent Transmission System Operator, Inc. is a Regional Transmission Organization approved by the Federal Energy Regulatory Commission. Utilities from Manitoba to Kentucky participate in the MISO.

Peak Load Demand
The maximum amount of electric power or energy consumed by a particular customer or group of customers at a precise time.

Transmission
Process of moving electric power in bulk at higher voltages from the source of supply to distribution centres.

Watt (W)
The unit of measurement of electrical power.

To provide feedback or request additional copies of this quarterly report, please visit our web site at saskpower.com or contact SaskPower Communications and Public Affairs by phone (306-566-3170) or fax (306-566-2548).

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